

GOVERNMENT OF ANDHRA PRADESH  
ABSTRACT

High Court of Andhra Pradesh– Writ Petition No. 19820/2007 – Implementation of the orders of Hon'ble High Court - Reconsider the case of the M/s Arogyavaram Medical Centre, Arogyavaram, Chittoor District for exemption under Section 11 (d) of Prize Chits and Money Circulations Schemes (Banning) Act, 1978 – Rejected –Orders- Issued.

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HOME (GENERAL-B) DEPARTMENT

G.O.Rt.No. 544

Dated: 26 -3-2010,  
Read the following:-

1. G.O.Rt.No.1118, Home ( General.B) Dept., dated 9-8-2007.
2. Order dated: 17-12-2008 in WPN0.19820/2007, received from the Asst. Registrar, High Court of A.P, Hyderabad
3. From the District Collector , Chittoor, Lr No.C1/513/2007, dated: 13-5-2009
4. From the Additional DGP, C.I.D, A.P, Hyderabad  
Lr No.1622/C3/CID/05, dated: 31-8-2009 and 21-12-2009
5. From the Director, Arogyavaram Medical Center,  
Chittoor, Letter dated: 05-2-2010

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ORDER:

Whereas on 23-9-2005, Dr.B.Wesly, Director, Arogyavaram Medical Center, Arogyavaram, Chittoor District, represented Government to exemption Notification for running a fund raising project for the benefit of Aids, Cancer and Tuberculosis patients in Arogyavaram under Prize Chits and Money Circulation Scheme (Banning) Act,1978, which was examined in consultation with the District Collector, Chittoor / Additional Director General of Police, C.I.D., Hyderabad and Reserve Bank of India Authorities. The C.I.D.and R.B.I. authorities not recommended for exemption under Section 11 of the Act. Accordingly, it was observed that the scheme does not deserve exemption under the said act, Government in letter No.29475/General.B/A2/2005-2, dated 3-01-2006, had informed M/s. Arogyavaram Medical Center, Arogyavaram, Chittoor District, that their request for exemption was rejected.

2. Whereas, the Director, Arogyavaram Medical Center, in November, 2006, has again submitted a representation to Government for requesting to exempt their “ACT Fund Raising Project” under section 11 (d) of the Prize Chits and Money Circulations Schemes (Banning) Act, 1978, which was further referred to the C.I.D. for examination. The C.I.D authorities are opined that it is neither just nor desirable to issue any notification exempting the Arogyavaram Medical Center under section 11 (d) of the Act, 1978. Accordingly, Government in letter No.34254/General.B/A2/2006-2, dated 11-1-2007, informed that Government has rejected the request of the applicant, as the proposal does not deserve exemption under the said Act.

3. Against the rejected Govt.Letter. No.34254/General.B/2006-2, dated 11-1-2007, the M/S Arogyavaram Medical Center, Arogyavaram, Chittoor, filed W.P.No.2293/2007, before the Hon'ble High Court, and the Hon'ble Court set-aside the impugned order, on 10-4-2007 and the matter was remitted to the Government to consider and dispose the application of the petitioner society by way of a reasoned order, after giving reasonable opportunity to the petitioner society, in accordance with law.

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4.. Whereas, the District Collector, Chittoor, in his letter dated: 27-2-2007, has requested the Govt. stating that, as the scheme run by organizers needs further detailed investigation, since the donations were collected from all over the country. Since the matters require investigation throughout the State, he requested that the C.B.C.I.D may be entrusted with the case. Accordingly, in Govt.Memo dt: 19-1-2007, Home (SC.B)Department, the Additional, Director General of Police, CID, was requested to enquire into the above matter and furnish the action taken as a Crime No. 19/2007, registered against the Arogyavaram Medical Center in Madanapalle Rural P.S.

5. Government as per the directions of the Hon'ble High Court, again examined the application of the petitioner society, and rejected the request of Arogyavaram Medical Center, Arogyavaram, Chittoor, for exemption from the "Prize Chits and Money Circulation Scheme (Banning) Act,1978, vide G.O.Rt.No.1118, Home (General.B) Department., dated: 09-8-2007.

6. Against the rejected Government orders issued in G.O.Rt.No.1118, Home (General.B) Department., dated 09-8-2007, they were again approached the Hon'ble High Court, in W.P.No.19820/2007, the Hon'ble High Court, ordered that without expressing any opinion on merits, the respondents are directed to reconsider the case of the petitioner for granting exemption under Section 11 (d) of the Act, after getting a detailed report from the authorities concerned again and pass appropriate orders as per law. In the process of considerations, the petitioner shall be put on notice and they may be heard, if necessary personally in this regard.

7. Therefore, the issue was reexamined afresh, in consultation with the District Collector, Chittoor / Additional Director General of Police, C.I.D, Hyderabad and Reserve Bank of India, Hyderabad. The District Collector, Chittoor, has reported that as the orders of the Hon'ble High Court, permission may be granted under Section 11(d) of the Prize Chits and Money Circulations Schemes (Banning) Act, 1978, subject to outcome of the C.B.C.I.D.enquiry. The Additional Director General of Police, C.I.D., reported that the case against them is under investigation permission to the Arogyavaram Medical Center, "Act Fund Raising Project" under Section 11(d) of the Act,1978, is not recommended.

8. The Principal. Secretary., Home, has convened a meeting with the CID authorities, a representative of Reserve Bank of India, Hyderabad, and with the District Revenue Officer, Chittoor, on behalf of District Collector, Chittoor, and with the Director of Arogyavaram Medical Centre, Chittoor, on 05-2-2009.

9. The Principal Secretary, Home Department, has enquired the version of Dr. B.Wesley, Director, Arogyavaram Medical Center, Chittoor, in connection with application of Arogyavaram Medical Center, Chittoor, seeking an exemption under section 11 (d) of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. Dr. B.Wesley, Director, AMC, Chittoor, has submitted their written arguments in support of plea of AMC, Chittoor, for grant of exemption notification under section 11 (d) of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. Besides he had briefed about the charity work under taken by the AMC, Chittoor, like maintaining the T.B. Hospital, a Community Centre, by providing free medicines etc. to the patients, supplying of free books, uniforms and mid day meals to the poor children in and around Arogyavaram. It was also represented that AMC, Chittoor, is running a school for deaf and dumb children by providing free hostel with food, clothes. He has represented that the AMC, Chittoor, is totally dedicated to the service of the poor and needy persons.

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10. In his written arguments, he has mentioned that earlier the Sub-Collector, Madanapalli, vide his report in ROC.No.C1/4067/02, dated: 7-12-2005, had reported that the object of the AMC, Chittoor, was to raise funds through voluntary donors from different parts of the Country; that the applicant was exempted under sections 80(G) and 35 (AC) of the Income tax, and the applicant has started a fund raising programme for the welfare of AIDs, Cancer and Tuberculosis patients, and that the request of the applicant was a genuine one and a notification may be issued by exempting the institution from the application of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978, and also to permit the Institute to run the Scheme. Dr. B.Wesley, has requested to consider the above said recommendation of Sub-Collector, Madanapalle.

11. The Principal Secretary, Home Department, questioned Dr. B.Wesley, Director, AMC, Chittoor, whether AMC started collecting money even before the grant of exemption notification under section 11 (d) of the Act, 1978, by the Government of Andhra Pradesh. Dr. B.Wesley, Director, AMC, Chittoor, has informed that prior to the grant of exemption notification under section 11 (d) of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978, AMC, started collecting funds. Dr. B.Wesley, was also informed that the Government had rejected grant of notification, vide letter dated: 3-10-2006. Dr. B.Wesley, has informed that the said rejection order was received by them in the month of January, 2007, and they have stopped collecting funds from members there after.

12. Whereas, Dr. B.Wesley, has requested to grant exemption notification keeping in view the charitable work under taken by their Institution and also in view of the District Collector's recommendation, dated: 13-5-2009, wherein the Collector stated that "permission may be granted under section 11 (d) of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978, subject to outcome of the C.B.C.I.D Enquiry. Dr. B.Wesley, has also referred to the directions of the Hon'ble High Court, dated: 17-12-2008, in W.P. No.19820 of 2007, wherein the Government was directed to reconsider the case of the petitioner for granting exemption under section 11 (d) of the Act, after getting a detailed report from the authorities concerned again and pass appropriate orders as per law.

13. Whereas, the Inspector General of Police, GOW, CID, has stated that the activities of the AMC, are totally different from the activities of a Charitable Institution mentioned under section 11 (d) of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978.

14. Whereas, the Inspector General of Police, also stated that the contribution from a donor is a different one compared to the subscription made by the members of AMC, since members of AMC are assured of return of their money, and further incentives/bonus on their subscription on further enrollment of three members by the first member in the AMC like wise the chain of members continues in subscription, and also in receipt of money in the shape of incentives/bonus from the AMC. The Inspector General of Police, also informed that AMC had shown in their consolidated fund flow statement that as against a total amount of Rs.57,35,85,768/- received from the members during the years 2005-06, and 2006-07, an amount of Rs.43,51,02,724/- was shown as repaid as incentive. Further out of the above amount only an amount of Rs.11,37,66,911/- was shown as charity amount. The Inspector General of Police, has observed that from the above statement itself it is clear that the AMC is pumping back money to its members which falls into the

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category of “Money Circulation Scheme” as defined under section 2 (C) of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. As such the first step of AMC of collecting money from members without any exemption notification by the Government itself is an offence committed by AMC. The Inspector General of Police, has further stated that certain records relating to ACT project accounts of AMC are yet to be received from the Collectorate.

15. Whereas, the Dy.General Manager, Reserve Bank of India, has stated that the points mentioned in their letter DNBS.(H)CMS.No. /294/04.08.039/2006-07, dated 1-9-2006, holds good and he reiterated the same points, and stated that in view of the said points AMC, is not eligible for exemption notification under section 11 (d) of the Act, 1978.

16. Whereas, the points raised by the Deputy General Manager, Reserve Bank of India, Hyderabad are as follows:

- i) that the AMC is engaged in many other activities like printing press , carpentry & tailoring unit, handloom and weaving , etc.
- ii) that the AMC has already launched the scheme by advising the public although the application is still pending before the State Govt. and collected Rs.5.39 crores between August,15 2005, to March,31, 2006. The R.B.I. not recommended for exemption under Section 11 of the Act
- iii) that the financial position of the company shows that as on 31<sup>st</sup> march, 2005, it had accumulated losses of Rs. 372.97 lakh on its balance sheet.
- iv) that it is observed from the contents of the scheme that 75% of the amount collected is to be utilized for purposes other than charity .
- v) that the statement made by the AMC, that situation such as break in chain in the chain of money circulation and consequent problems etc., are unlikely since the amount collected are in the form of donations, cannot be accepted as the scheme itself envisages return to the participants with progression in the chain . In the event of brake in the chain of money circulation, complaints from the participants cannot be ruled out.

17. Whereas, the request of the Arogyavaram Medical Centre, Chittoor, for exemption for the “ ACT Fund Raising Project”, under Prize Chits and Money Circulations Schemes (Banning) Act, 1978, was examined in detail based on the reports /opinions of the Additional Director General of Police, C.I.D, A.P, Hyderabad, and the Reserve Bank of India, Hyderabad, where as the Sub Collector, Chittoor, and District Collector, Chittoor, have not examined the issue that 75% of the amount collected is being utilized for purposes other than charity and the statements made by the AMC that situation such as break in chain in the chain of money circulation and consequent problems etc., are unlikely to arise, since the amount collected are in form of donations, cannot be acceptable, as the scheme itself envisages return to the subscriber with progression in the chain, in the event of break in the chain of money circulations, complaints from the subscriber cannot be ruled out.

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18. Whereas, it appears that the terms and conditions of the proposed scheme not brought to the notice of the Joint Collector and the District Collector who recommended the case of AMC for issuance of the notification under section 11 (d) of the said Act.

19. Whereas, the scheme facilitates dishonest inducement of the poor and middle class employees to become subscribers only to make many other gullible people to join the scheme so as to enable them to get 'remuneration' proposed under the said scheme. It obviously results in huge sums of money being subscribed by the public and the circulated amounts reaching the applicant center. The scheme shows that the center (applicant) intends to make quick and easy money. It is axiomatic that the chance and opportunity of making such quick and fast money depends upon the contingency of the subscriber to enroll many and numerous others to subscribe to the scheme only with a view to get paltry 'remuneration' from the applicant center.

20. Whereas, as per the details of the contribution plans of the scheme submitted by the AMC, the following are observed:

i) The donor / member is asked to donate a non- refundable amount of Rs.360/- to get an entry into three different zones namely:

- \* Referral Zone (Rs. 165/-)
- \* Non-Referral Zone( Rs. 100/-)
- and
- \* Share Bonus (Rs.5/-)

ii) The donor has to introduce three (3) donors, who in turn have to introduce three (3) more donors to be eligible for "**remuneration**" upon completion of referral zone in nine (9) levels for Rs. 1,00,449/-

iii) Under Non-referral zone, he is eligible for Rs. 12,100/-

iv) the donor /member gets **attractive remuneration** and that such scheme leads him to earn **more money** and inspires him to introduce others and **encouraging them to earn**.

21. Whereas, it is false to say that no financial benefit is involved in the scheme. It envisages and encourages each donor to introduce more donors into the scheme to get so called attractive remuneration in referral and non-referral zones. Thus, a reading of "Contribution plan for fund raising scheme" proposed by Arogyavaram Medical Centre annexed to its application between the lines clearly and categorically reveals that the scheme proposed is nothing but a "money circulation scheme" intended to cheat and cause wrongful loss to the gullible and innocent under the color of "noble and laudable cause". Such schemes are not in the interest of the society in particular and welfare of the public at large.

22. Whereas, the Investigating Officer, seems to have reported that so far, 25 witnesses have been examined by the investigating authority and they have opined that most of them are depositors in the scheme who had stated that they could not get the returns on their deposits as promised by the organization.

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23. Government after careful examination of the issue once again for grant of exemption of their scheme called "Act Fund Raising Project" under section 11(d) of Prize Chits and Money Circulations Schemes (Banning) Act, 1978, to the Arogyavaram Medical Centre, Chittoor, duly examining the plea of the petitioners in person, is of considered view that the request of the petitioner is not feasible of acceptance and therefore, accordingly, reject the request of M/s. Arogyavarama Medical Center, Arogyavarama, Chittoor District for grant of exemption under section 11 (d) of the Prize Chits and Money Circulation Schemes ( Banning)Act, 1978.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

AJAY MISRA,  
PRINCIPAL SECRETARY TO GOVERNMENT

To

Sri Dr.B.Wesly, Director, Arogyavaram Medical Centre,  
Arogyavaram, Chittoor District, Andhra Pradesh-517 330  
(By Registered Post Acknowledgement)

Copy to:

The Government Pleader for Home, High Court of Andhra Pradesh, Hyderabad

The Additional Director General of Police, C.I.D, A.P, Hyderabad

The District Collector, Chittoor, District

The Superintendent of Police, Chittoor

The Deputy General Manager, Department of Non Banking Supervision,  
Reserve Bank of India , Hyderabad

The P.S.to Prl.Secy.to CM,

The Law Department

SF / SC.

//FORWARDED::BY::ORDER//

SECTION OFFICER